DEPARTMENT OF JUSTICE

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2002

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Correctional Facilities Industries Revolving Fund as at March 31, 2002 and the statements of operations and accumulated operating deficit and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 12, 2002

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
BALANCE SHEET
AS AT MARCH 31

	2002	2001
ASSETS		
Current assets:		
Accounts receivable	$ 153,552	$ 431,503
Inventory	210,055	182,983
	363,607	614,486
Capital assets (Note 5)	121,322	84,054
	$ 484,929	$ 698,540
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	$ 36,327	$ 152,235
Accumulated net expenditure (Statement 3)	597,707	637,041
Fund equity:		
Accumulated operating deficit (Statement 2)	(149,105)	(90,736)
	$ 484,929	$ 698,540

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF OPERATIONS
AND ACCUMULATED OPERATING DEFICIT
FOR THE YEAR ENDED MARCH 31

	2002		2001
	Budget (Note 10)	Actual	Actual
Sales	$ 1,145,000	$ 723,473	$ 1,020,908
Cost of goods sold (Note 6)	933,520	630,966	807,170
Gross profit	211,480	92,507	213,738
Operating expenses:			
Salaries	242,650	267,385	237,646
Inmate assessment	20,500	19,019	18,976
Travel	13,850	10,965	9,987
Miscellaneous	6,850	3,655	5,292
Repairs and maintenance	4,700	464	547
Amortization	4,415	752	3,002
Office supplies	3,650	1,889	2,419
Bad debts/allowance	3,230	15,550	49,601
Delivery	2,250	333	1,063
Returns	1,600	3,941	802
Advertising	100	620	834
Inventory Write-down	—	—	42,589
	303,795	325,073	372,758
Net (loss) from operations	(92,315)	(232,566)	(159,020)
Other income	25,000	32,197	—
Subsidy from General Revenue Fund (Note 4)	142,000	142,000	142,000
Net (loss) income	$ 74,685	(58,369)	(17,020)
Accumulated operating deficit, beginning of year		(90,736)	(73,716)
Accumulated operating deficit, end of year - to Statement 1		$ (149,105)	$ (90,736)

(See accompanying notes to the financial statements)

Statement 3

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
FOR THE YEAR ENDED MARCH 31

	2002	2001
Financing (provided by) required for operating activities:		
Net loss	$ 58,369	$ 17,020
Items not affecting working capital		
- amortization	(28,491)	(32,492)
- (loss) on disposal of capital assets	(25)	—
Working capital changes related to operations		
Increase (decrease) in accounts receivable	(277,951)	256,249
Increase (decrease) in inventories	27,072	(9,346)
(Increase) decrease in accounts payable	115,908	(111,182)
	(105,118)	120,249
Financing (provided by) required for investing activities:		
Purchase of capital assets	65,784	14,519
Net expenditure/(recovery)	(39,334)	134,768
Accumulated net expenditure, beginning of year	637,041	502,273
Accumulated net expenditure, end of year - to Statement 1	$ 597,707	$ 637,041

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and to reduce the costs of inmate programming.

2. Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following accounting policies are considered significant:

a) Revenue Recognition

The financial statements recognize revenue from long-term contracts proportionately with the degree of completion of goods under a contract.

b) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from the acquisitions, working capital changes and net cash flows from operations.

c) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

i) the net expenditure/(recovery) for each fiscal year, and

ii) the book value of assets acquired at no charge from other government agencies.

d) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using the first in, first out method.

e) Capital Assets

Capital assets are recorded at cost. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

Amortization is calculated on the straight-line basis at an annual rate of 10% for equipment and leasehold improvements and on a diminishing balance basis at an annual rate of 30% for tools and other assets.

Computer equipment is amortized on a straight-line basis over 3 years.

3. Authorized Financing

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of $900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Correctional Facilities Industries Revolving Fund is $100,000.

5. Capital Assets

	2002			2001		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 318,956	$ 222,363	$ 96,593	$ 266,419	$ 199,880	$ 66,539
Leasehold Improvements	80,164	65,441	14,723	70,269	63,985	6,284
Tools	61,239	52,972	8,267	58,814	50,582	8,232
Computer	12,416	11,890	526	12,416	11,132	1,284
Other	14,190	12,977	1,213	14,190	12,475	1,715
	$ 486,965	$ 365,643	$ 121,322	$ 422,108	$ 338,054	$ 84,054

6. Cost of Goods Sold

Cost of goods sold consists of the following:

	2002	2001
Materials	$ 250,741	$ 384,112
Staff salaries	196,326	208,001
Inmate incentive	63,123	73,041
Inmate labour	36,653	39,807
Shop expense	32,852	39,257
Amortization	27,739	29,490
Supplies	21,523	29,734
Small tools	2,009	3,728
	$ 630,966	$ 807,170

7. Amount Reported in the Public Accounts

The net expenditure/(recovery) of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2002	2001
Net loss	$ 58,369	$ 17,020
Increase (decrease) in inventory balance	27,072	(9,346)
Increase (decrease) in net capital assets	37,268	(17,973)
Amounts not included in Public Accounts due to timing	(24,977)	5,497
Net expenditure/(recovery) reported in the Public Accounts	$ 97,732	$ (4,802)

8. Related Parties

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions, and amounts outstanding at year end are as follows:

	2002	2001
Revenue	$ 128,348	$ 518,222
Accounts receivable	8,656	340,877

In addition, the Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Financial Instruments

The Revolving Fund's financial instruments consist of accounts receivable, accounts payable and accumulated net expenditure.

a) Significant terms and conditions

There are no significant terms and conditions related to the financial instruments that may affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable.

c) Fair value

The carrying amounts approximate fair value due to their immediate or short-term nature. The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Contingency

The Government of Saskatchewan has been served a Statement of Claim regarding the manufacture of a play structure. An estimate of the extent of damages cannot be made.